

TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Robin Madison

DATE: October 1, 2015

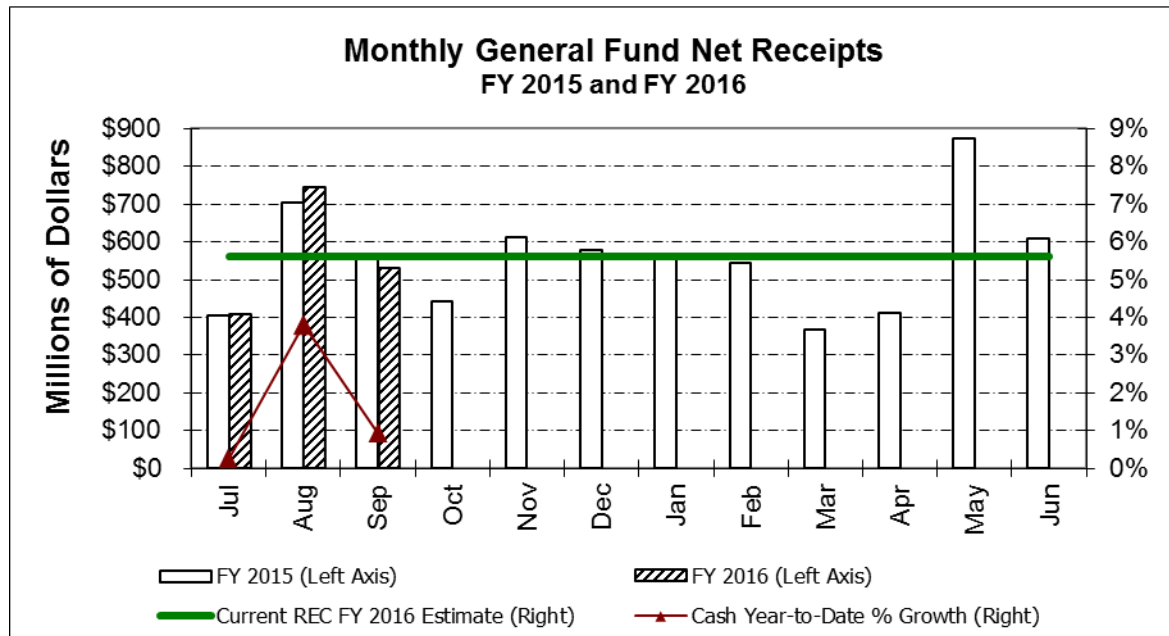
### Monthly General Fund Receipts through September 30, 2015

The attached spreadsheet presents FY 2016 General Fund total net receipts with comparable figures for actual FY 2015. The figures can be compared to the FY 2016 estimate of \$7.075 billion set by the Revenue Estimating Conference (REC) on March 19, 2015. The FY 2016 estimate is an increase of \$383.2 million (5.7%) compared to actual FY 2015 total net receipts (excludes transfers). The next REC meeting has been scheduled for October 13, 2015.

### Final FY 2015 Net Revenue

FY 2015 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = 5.5%						
Year-to- Date Ending:	Year-to- Date FY 2014	Year-to- Date FY 2015	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$378.2	\$406.6	\$28.4	7.5%	\$20.6	\$7.8
Aug	1,026.1	1,109.5	83.4	8.1%	55.9	27.5
Sept	1,579.2	1,665.4	86.2	5.5%	86.1	0.1
Oct	2,024.0	2,108.9	84.9	4.2%	110.3	-25.4
Nov	2,647.9	2,719.9	72.0	2.7%	144.3	-72.3
Dec	3,115.9	3,298.0	182.1	5.8%	169.8	12.3
Jan	3,708.0	3,860.4	152.4	4.1%	202.1	-49.7
Feb	4,191.8	4,406.6	214.8	5.1%	228.5	-13.7
Mar	4,558.9	4,772.4	213.5	4.7%	248.5	-35.0
Apr	4,954.0	5,185.8	231.8	4.7%	270.0	-38.2
May	5,710.0	6,060.4	350.4	6.1%	311.2	39.2
Jun	6,293.5	6,670.2	376.7	6.0%	343.0	33.7
Year end	6,300.1	6,692.1	392.0	6.2%	343.4	48.6
Adjustment for Transfers						3.7
Year-end net receipts, including transfers						\$52.3
Note: The FY 2015 March REC estimate had no post-REC Legislative adjustments.						

Net General Fund revenue for FY 2015, excluding transfers, totaled \$6,692.1 billion, an increase of \$392.0 million (6.2%) compared to FY 2014. The total FY 2015 net amount was \$48.6 million above the March 2015 REC estimate. Adjusting for transfers that were \$3.7 million above projections, net General Fund revenue, including transfers, was \$52.3 million above the FY 2015 estimate.



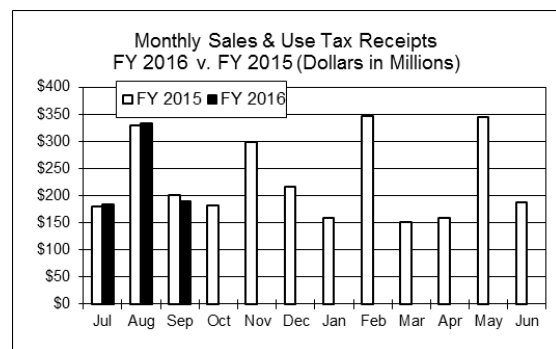
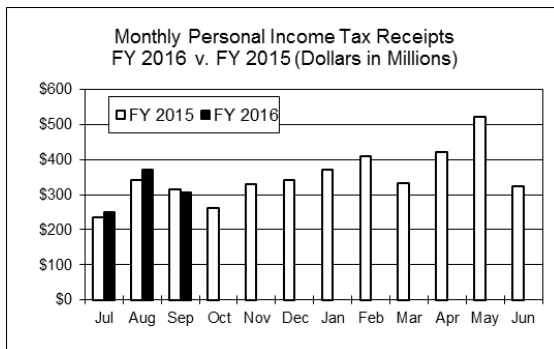
## Overview of Current Situation

September 2015 net General Fund revenue was \$26.8 million (-4.8%) below the September 2014 revenue level. Cash fiscal year-to-date net receipts are \$15.3 million (0.9%) higher than FY 2015. Major sources of revenue and their contribution to FY 2016 change include:

- Personal income tax (positive \$35.8 million, 4.0%)
- Sales/use tax (negative \$4.6 million, -0.6%)
- Corporate tax (negative \$8.9 million, -7.8%)
- Other taxes (negative \$0.1 million, -0.1%)
- Other receipts (positive \$0.8 million, 1.4%)
- Tax refunds not including school infrastructure refunds (negative \$9.6 million)
- School infrastructure sales/use tax refunds (positive \$2.0 million)

**Personal Income Tax** revenue received in September totaled \$305.9 million, a decrease of \$9.2 million (-2.9%) compared to September 2014.

The FY 2016 REC income tax estimate of \$4.494 billion represents a projected increase of 6.8% compared to actual FY 2015. Through September, personal income tax receipts have increased \$35.8 million (4.4%). By subcategory, withholding payments increased \$36.6 million (4.8%), estimate payments decreased \$4.8 million (-4.6%), and payments with returns increased \$4.0 million (18.8%). The following chart compares FY 2016 monthly income tax receipts from the three personal income tax subcategories with FY 2015.



**Sales/Use Tax** receipts received in September totaled \$189.8 million, a decrease of \$11.5 million (-5.7%) compared to September 2014.

The REC estimate for FY 2016 sales/use tax receipts is \$2.891 billion, an increase of 5.0% compared to actual FY 2015. Through September, sales/use tax receipts decreased \$4.6 million (-0.6%). The preceding chart compares FY 2016 monthly sales/use tax receipts with FY 2015.

**Corporate Tax** receipts received in September totaled \$72.9 million, a decrease of \$11.3 million (-13.4%) compared to September 2014.

The REC estimate for FY 2016 corporate tax revenue is \$560.3 million, a decrease of 2.8% compared to actual FY 2015. Through September, corporate income tax receipts decreased \$8.9 million (-7.8%).

**Other tax receipts** received in September totaled \$13.0 million, a decrease of \$4.1 million (-24.0%) compared to September 2014.

The REC estimate for FY 2016 other tax revenue is \$260.8 million, an increase of 0.5% compared to actual FY 2015. Through September, other tax receipts decreased \$0.1 million (-0.1%).

**Other receipts** (nontax receipts) received in September totaled \$18.8 million, a decrease of \$0.1 million (-0.5%) compared to September 2014.

The REC estimate for FY 2016 other receipts revenue is \$276.4 million, a decrease of 6.3% compared to actual FY 2014. Through September, other receipts increased \$0.8 million (1.4%).

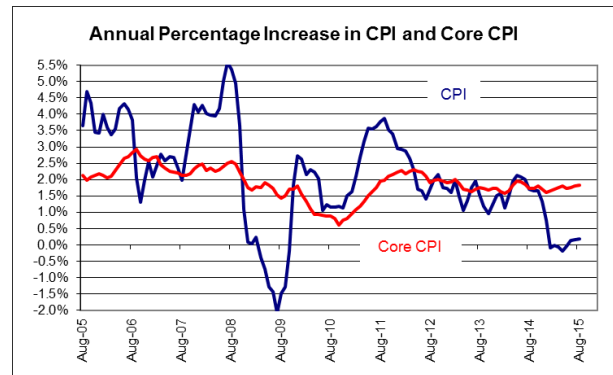
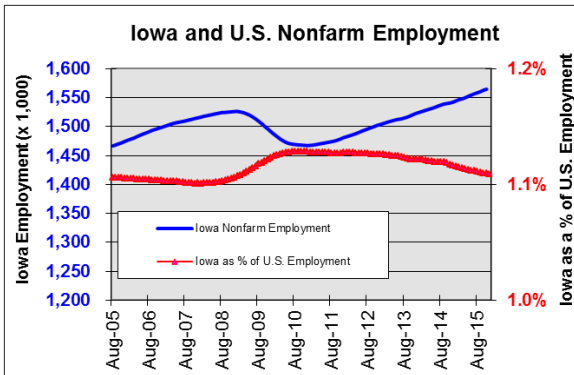
**Tax Refunds** issued in September totaled \$24.9 million, an increase of \$2.7 million compared to September 2014. In addition, school infrastructure refunds totaled \$46.4 million, a decrease of \$12.2 million compared to September 2014.

## Status of the Economy

Iowa nonfarm employment was reported at 1,565,700 for the month of August 2015 (not seasonally adjusted), 22,000 (1.4%) higher than August 2014.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,564,900, resulting in an annual average Iowa nonfarm employment level 38,500 above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since March 2009.



The Consumer Price Index (CPI-U) through August 2015 was 238.3 (1983/84=100). Consumer prices increased 0.2% in August (not seasonally adjusted) and the annual rate of inflation was 0.20%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.09% in August and totaled 1.8% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are down 15.0% year-over-year, while food prices are up 1.5%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2016 vs. FY 2015 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 15 Actual Compared to FY 16 REC Estimate		
	FY 2015	FY 2016	Year-to-Date % Change	September % Change	Actual FY 2015	Estimate FY 2016	Projected % Change
Personal Income Tax	\$ 893.6	\$ 929.4	4.0%	-2.9%	\$ 4,207.3	\$ 4,493.5	6.8%
Sales/Use Tax	710.7	706.1	-0.6%	-5.7%	2,753.0	2,891.0	5.0%
Corporate Income Tax	113.9	105.0	-7.8%	-13.4%	576.3	560.3	-2.8%
Inheritance Tax	22.2	22.4	0.9%	-29.3%	87.0	95.6	9.9%
Insurance Premium Tax	51.4	52.3	1.8%	0.0%	109.6	107.7	-1.7%
Cigarette/Tobacco Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Beer/Liquor Tax	4.1	4.1	0.0%	-7.1%	14.5	14.5	0.0%
Franchise Tax	10.2	9.0	-11.8%	-22.7%	46.9	41.8	-10.9%
Miscellaneous Tax	0.1	0.1	0.0%	0.0%	1.4	1.2	-14.3%
<b>Total Gross Taxes</b>	<b>\$ 1,806.2</b>	<b>\$ 1,828.4</b>	<b>1.2%</b>	<b>-5.9%</b>	<b>\$ 7,796.0</b>	<b>\$ 8,205.6</b>	<b>5.3%</b>
Institutional Payments	4.7	4.0	-14.9%	-21.4%	15.5	7.8	-49.7%
Liquor Profits	25.8	27.4	6.2%	24.0%	108.4	98.7	-8.9%
Interest	0.6	0.8	33.3%	100.0%	3.7	3.4	-8.1%
Fees	7.3	6.5	-11.0%	5.3%	27.7	27.1	-2.2%
Judicial Revenue	14.2	14.1	-0.7%	-25.4%	99.9	100.0	0.1%
Miscellaneous Receipts	6.5	7.1	9.2%	-14.3%	39.7	39.4	-0.8%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
<b>TOTAL GROSS RECEIPTS</b>	<b>\$ 1,865.2</b>	<b>\$ 1,888.2</b>	<b>1.2%</b>	<b>-5.7%</b>	<b>\$ 8,090.9</b>	<b>\$ 8,482.0</b>	<b>4.8%</b>
Accrued Revenue-Net					19.6	20.0	
Tax Refunds *	-73.2	-82.8	13.1%	12.2%	-967.9	-953.0	-1.5%
School Infrast. Refunds *	-126.7	-124.7	-1.6%	-20.8%	-450.5	-473.7	5.1%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 1,665.4</b>	<b>\$ 1,680.7</b>	<b>0.9%</b>	<b>-4.8%</b>	<b>\$ 6,692.1</b>	<b>\$ 7,075.3</b>	<b>5.7%</b>
* For FY 2015 and FY 2016 Year-to-Date columns, refunds are presented on a cash basis. For FY 2015 Actual and FY 2016 Estimate, refunds are presented on a fiscal year basis. The FY 2015 Actual column is final.							